

Rubin & Hays

ATTORNEYS AT LAW

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CHARLES S. MUSSON
W. RANDALL JONES
CHRISTIAN L. JUCKETT

PARALEGAL
MARY M. EMBRY

RECEIVED

SEP 21 2004

**PUBLIC SERVICE
COMMISSION**

September 20, 2004

Ms. Elizabeth O'Donnell
Executive Director
Public Service Commission
P.O. Box 615
Frankfort, Kentucky 40602

Case 2004-00373

Re: Western Fleming County Water District - Kentucky Public Service Commission
Application for a CPCN for a Water System Improvements Project and approval of
financing

Dear Ms. O'Donnell:

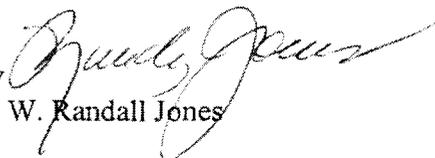
Enclosed please find the original and ten (10) copies of the Application of the Western Fleming County Water District for a Certificate of Public Convenience and Necessity to construct and finance a water system improvements project pursuant to KRS Chapter 278.

Also enclosed are eleven (11) copies of the exhibits required, with the exception of the Plans and Specifications, prepared by Quest Engineers, Inc., on the Project, two of which are being forwarded by said Engineers.

If you need any additional information or documentation, please let us know.

Sincerely,

Rubin & Hays

By 
W. Randall Jones

WRJ:jl
Enclosures

cc: Ms. Molly Roark, WFCWD

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

FILED
SEP 21 2004
PUBLIC SERVICE
COMMISSION

In the matter of:

APPLICATION OF THE WESTERN)
FLEMING COUNTY WATER)
DISTRICT FOR A CERTIFICATE OF PUBLIC)
CONVENIENCE AND NECESSITY TO)
CONSTRUCT AND FINANCE AN IMPROVE-) Case No. 2004-00373
MENTS PROJECT PURSUANT TO)
KRS 278.020 AND 278.300)

APPLICATION

The Western Fleming County Water District (the "District"), by counsel, pursuant to KRS 278.020, petitions the Commission for a certificate of public convenience and necessity to construct and finance a waterworks improvement project and finance said project. The following information is filed in accordance with the Commission's regulations:

1. The District's office address is P.O. Box 16, Ewing, Kentucky 41039. Its principal officers are listed in its 2003 Annual Report, which is on file with the Commission;
2. The District is a non-profit water district organized under KRS Chapter 74 and has no separate articles of incorporation or by-laws;
3. A description of the District's water system and its property stated at original cost by accounts is contained in its 2003 Annual Report, which is incorporated by reference pursuant to 807 KAR 5:001 Section (5)(5). All required normal financial schedules and other data are in the Annual Report;

4. The water improvements project (the "Project") consists of an upgrade to the water treatment plant in order to comply with water quality regulations. A more detailed description of the Project is attached hereto as **Exhibit "A"**;

5. The Project is in the public interest and is required to allow the District to comply with clean water regulations;

6. The total project cost is approximately \$1,560,000, as forth in the Final Project Budget attached hereto as **Exhibit "B"**;

7. The District has obtained all easements are required for the Project;

8. This service will not compete with any other utility in the area;

9. Based on these facts, the District believes that it is in the public interest that this certificate be granted and that the plan of financing be authorized;

10. Copies of the certified bid tabulations are attached hereto as **Exhibit "C"**;

11. The following information is provided in response to 807 KAR 5:001 Section (8)(3);

a. Articles of Incorporation - None, the District is a statutorily created water district under KRS Chapter 74;

12. The following information is supplied to 807 KAR 5:001 Section (9)(2);

a. Facts relied upon to show that the Project is in the public interest: The water treatment plant upgrades are necessary in order to allow the District to be in compliance with the clean water regulations. The completion of the Project will have no adverse affect or impact on the customers of the District, nor will the Project adversely affect the District's ability to provide adequate water pressure and water supply to its existing and projected future customers located within the District's geographic boundaries.

b. No new franchises are required. Copies of the permits are attached hereto as **Exhibit “D”**;

c. Diagrams of the proposed construction and construction specifications are contained in the Plans and Specifications on file with the Commission;

d. Three (3) maps of suitable scale showing location of the proposed facilities are attached hereto;

e. The construction costs will be funded from the proceeds of (i) a Tobacco Settlement Fund Grant in the amount of \$780,000; (ii) a loan in the approximate amount of \$314,000 from the Kentucky Rural Water Finance Corporation through its Flexible Term Program (see preliminary schedules of Morgan Keegan attached as **Exhibit “E”**); and a contribution from the District in the approximate amount of \$466,000;

f. The estimated cost of operation of the system after Project completion is attached hereto as **Exhibit “F”**;

13. The following information is provided as required by 807 KAR 5:001 Section (11)(1);

a. A general description of the property is contained in the 2003 Annual Report;

b. Financial information relating to the KRWFC Loan is contained in the Schedules referred to in paragraph 12(e) above;

c. All funds are to be used in accordance with the Final Project Budget, see Exhibit “B”;

d. No property is being acquired in connection with this Project;

e. No proceeds of the KRWFC Loan will be used to refund outstanding obligations.

f. The KRWFC Loan will be repaid out of the revenues of the District's system.

14. The following exhibits are provided pursuant to 807 KAR 5:001 section (11)(2);

a. The District hereby requests and moves for a deviation, pursuant to 807 KAR 5:001, Section 14, from the requirements of 807 KAR 5:001, Section 6, which requires that the financial data filed with the Application be for a twelve (12) month period ending within ninety (90) days of the filing of the application. The District states that there has been no change that is material in nature in the financial condition or operation of the District since December 31, 2003. The financial data filed herewith as **Exhibit "G"** is for the twelve (12) month period ending December 31, 2003. This is the most recent published financial data available. Because the Project has been bid and the District is under a bid-hold period by the Contractors, the District cannot run the risk of delaying the commencement of the Project and losing the favorable bids while more current financial data is compiled;

b. There are no trust deeds or mortgages applicable;

c. Maps and detailed plans are on file with the Commission. Detailed estimate of property acquired by USOA number is account #320 (water treatment equipment) - \$1,274,000.

15. District requests that it be granted a deviation under 807 KAR 5:001(14), if necessary to accommodate any situation where inflexible compliance with a regulation would be impracticable, onerous or which would hinder District's daily operations.

WHEREFORE, the Applicant, Western Fleming County Water District requests that the Public Service Commission of Kentucky grant to the Applicant the following:

A. A certificate of public convenience and necessity permitting the Applicant to construct a water system improvement project;

B. An order approving the financing arrangements, including the loan from the Kentucky Rural Water Finance Corporation in the approximate amount of \$314,000.

C. Applicant's motion for a deviation from the 90 day requirement for financial information as required by 807 KAR 5:001 Section (11)(2)(a).

Western Fleming County Water District

By Jerry Neal
Chairman

Rubin & Hays

By W. Randall Jones
W. Randall Jones
Kentucky Home Trust Building
450 South Third Street
Louisville, Kentucky 40202
(502) 569-7525

Full Description of Proposed Location

**Water Treatment Plant Improvements
Western Fleming County Water District**

The proposed improvements to be completed as part of this project will occur at the existing water treatment plant. The work consists of the construction of three new filters to ensure adequate filtration rate in order to meet current and proposed federal water quality regulations. These new filters will be constructed adjacent to the existing water treatment plant on property currently owned by Western Fleming County Water District. No other property is anticipated to be effected.

Western Fleming County Water District
Water Treatment Plant Improvements

Final Project Budget - 2020 Grant WX21069002

September 13, 2004

Item	Amount	Funding Sources		
		2020 Grant	KRWFC ¹ Bonds	Local Funds
Construction - WTP Improvements	\$ 1,274,000	\$ 637,000	\$ 300,000	\$ 337,000
Engineering - WTP Improvements	\$ 99,881	\$ 49,940	\$ -	\$ 49,941
Legal - Both	\$ 24,000	\$ 5,000	\$ 14,000	\$ 5,000
Resident Representation - WTP Improvements	\$ 77,904	\$ 38,952	\$ -	\$ 38,952
Contingency - WTP Improvements (6.55%)	\$ 83,500	\$ 48,750	\$ -	\$ 34,750
Total	\$ 1,559,285	\$ 779,642	\$ 314,000	\$ 465,643

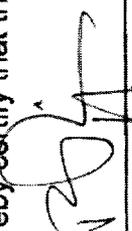
¹ - KRWFC - Kentucky Rural Water Finance Corporation

Bids Received: May 25, 2004
Water Treatment Plant Improvements
Western Fleming County Water District
Ewing, Kentucky

Topic	Bidder			
	Ameritcon, Inc.	W. Rogers Company	Judy Construction	Building Crafts Incorporated
LUMP SUM BASE BID	\$1,274,000.00	\$1,285,000.00	\$1,308,700.00	\$1,345,245.00
Additive Alternative No. 1	\$34,000.00	\$43,500.00	\$42,600.00	\$36,000.00
Additive Alternative No. 2	\$18,000.00	\$17,400.00	\$13,500.00	\$21,000.00

Topic	Bidder		
	Howard Engineering	Reynolds, Inc.	NAC Heavy Highway, Inc.
LUMP SUM BASE BID	\$1,398,700.00	\$1,443,000.00	\$1,598,000.00
Additive Alternative No. 1	\$53,000.00	\$39,000.00	\$45,000.00
Additive Alternative No. 2	\$12,000.00	\$81,600.00	\$15,960.00

I hereby certify that this is a true and correct tabulation of the bids



Brent A. Tippey, P.E., Quest Engineers, Inc.

HENRY C. LIST
SECRETARY



PAUL E. PATTON
GOVERNOR

COMMONWEALTH OF KENTUCKY
NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION CABINET
DEPARTMENT FOR ENVIRONMENTAL PROTECTION
FRANKFORT OFFICE PARK
14 REILLY RD
FRANKFORT KY 40601

September 26, 2003

Western Fleming Water District
ATTN: William E. Hunter, Operator
RR 1 Box 305
Ewing, Kentucky 41039

RE: DW #0910675-03-001
Water Treatment Plant Improvements
Western Fleming County Water District
Nicholas Co. Kentucky

Dear Mr. Hunter,

We have reviewed the plans and specifications for the above referenced project. The plans include abandoning two existing filters and construction of three new filters of which two will be in use and one standby. The capacity of the WTP is 1MGD and will not be increased. This is to advise that plans and specifications for the above referenced project are APPROVED with respect to sanitary features of design, as of this date of this approval letter, with the following stipulations:

1. Chlorinated water resulting from disinfection of treatment facilities and new, repaired, or extended distribution systems shall be disposed in a manner which will not violate 401 KAR 5:031.
2. Upon completion of construction, disinfection shall be strictly in accordance with the procedure designated in the State Regulations, which reads as follows:

"A water distribution system, including storage distribution tanks, repaired portions of existing systems or all extensions to existing systems, shall be thoroughly disinfected before being placed into service. A water distribution system shall disinfect with chlorine or chlorine compounds, in amounts as to produce a concentration of at least fifty (50) ppm and a residual of at least twenty-five (25) ppm at the end of twenty-four (24) hours and the disinfection shall be followed by a thorough flushing."

New or repaired water distribution lines shall not be placed into service until bacteriological samples taken at the points specified in 401 KAR 8:150 Section 4 (2) are examined and are shown to be negative following disinfection.

3. When this project is completed, the owner shall submit a written certification to the Division of Water that the above referenced water supply facilities have been constructed and tested in accordance with the approved plans and specifications. Such certification shall be signed by a licensed professional engineer.

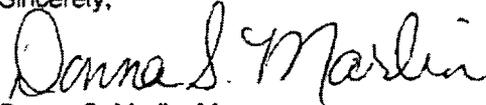


Water Treatment Plant Improvement
Western Fleming Water District
0910675-03-001
September 26, 2003
Page 2 of 2

This approval has been issued under the provisions of KRS Chapter 224 and regulations promulgated pursuant thereto. Issuance of this approval does not relieve the applicant from the responsibility of obtaining any other permits or licenses required by this Cabinet and other state, federal and local agencies.

Unless construction of this project commences within one year from the date of approval letter, Western Fleming Water District shall request an official extension from the Division of Water prior to the first anniversary of this approval letter, or re-submit the original plans and specifications for a new comprehensive review. If you have any questions concerning this project, please contact Ms. Jie Liu at (502) 564-2225, extension 547.

Sincerely,



Donna S. Marlin, Manager
Drinking Water Branch
Division of Water

DSM: jlz

Enclosures

C: Mr. Brent R. Houser, P.E. Quest Engineers, Inc.
Nicholas County Health Department
Frankfort Regional Office
Drinking Water Files

\$314,000

Western Fleming Water District
Kentucky Rural Water Finance Corporation
Flexible Term Finance Program

Sources & Uses

Dated 09/01/2004 | Delivered 09/22/2004

SOURCES OF FUNDS

Par Amount of Bonds	\$314,000.00
Accrued Interest from 09/01/2004 to 09/22/2004	665.13

TOTAL SOURCES **\$314,665.13**

USES OF FUNDS

Original Issue Discount (OID)	1,096.99
Total Underwriter's Discount (1.151%)	3,613.01
Costs of Issuance	7,210.00
Gross Bond Insurance Premium (29.0 bp)	1,206.66
Deposit to Debt Service Fund	665.13
Deposit to Project Construction Fund	300,000.00
Rounding Amount	873.34

TOTAL USES **\$314,665.13**

\$314,000

Western Fleming Water District
Kentucky Rural Water Finance Corporation
Flexible Term Finance Program

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+i
02/01/2005	17,000.00	1.680%	4,750.96	21,750.96
08/01/2005	-	-	5,558.35	5,558.35
02/01/2006	17,000.00	2.210%	5,558.35	22,558.35
08/01/2006	-	-	5,370.50	5,370.50
02/01/2007	17,000.00	2.560%	5,370.50	22,370.50
08/01/2007	-	-	5,152.90	5,152.90
02/01/2008	18,000.00	2.950%	5,152.90	23,152.90
08/01/2008	-	-	4,887.40	4,887.40
02/01/2009	18,000.00	3.240%	4,887.40	22,887.40
08/01/2009	-	-	4,595.80	4,595.80
02/01/2010	19,000.00	3.450%	4,595.80	23,595.80
08/01/2010	-	-	4,268.05	4,268.05
02/01/2011	20,000.00	3.650%	4,268.05	24,268.05
08/01/2011	-	-	3,903.05	3,903.05
02/01/2012	20,000.00	3.810%	3,903.05	23,903.05
08/01/2012	-	-	3,522.05	3,522.05
02/01/2013	21,000.00	3.960%	3,522.05	24,522.05
08/01/2013	-	-	3,106.25	3,106.25
02/01/2014	22,000.00	4.000%	3,106.25	25,106.25
08/01/2014	-	-	2,666.25	2,666.25
02/01/2015	23,000.00	4.100%	2,666.25	25,666.25
08/01/2015	-	-	2,194.75	2,194.75
02/01/2016	24,000.00	4.200%	2,194.75	26,194.75
08/01/2016	-	-	1,690.75	1,690.75
02/01/2017	25,000.00	4.250%	1,690.75	26,690.75
08/01/2017	-	-	1,159.50	1,159.50
02/01/2018	26,000.00	4.350%	1,159.50	27,159.50
08/01/2018	-	-	594.00	594.00
02/01/2019	27,000.00	4.400%	594.00	27,594.00
Total	\$314,000.00	-	\$102,090.16	\$416,090.16

Yield Statistics

Accrued Interest from 09/01/2004 to 09/22/2004	665.13
Bond Year Dollars	\$2,538.83
Average Life	8.085 Years
Average Coupon	4.0211446%
Net Interest Cost (NIC)	4.2066629%
True Interest Cost (TIC)	4.2274860%
Bond Yield for Arbitrage Purposes	4.1090966%
All Inclusive Cost (AIC)	4.7927823%

IRS Form 8038

Net Interest Cost	4.0894105%
Weighted Average Maturity	8.012 Years

\$314,000

Western Fleming Water District
Kentucky Rural Water Finance Corporation
Flexible Term Finance Program

Net Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Expenses	Net New D/S
12/30/2004	-	-	-	-	-	-
12/30/2005	17,000.00	1.680%	10,309.31	27,309.31	250.00	27,559.31
12/30/2006	17,000.00	2.210%	10,928.85	27,928.85	250.00	28,178.85
12/30/2007	17,000.00	2.560%	10,523.40	27,523.40	250.00	27,773.40
12/30/2008	18,000.00	2.950%	10,040.30	28,040.30	250.00	28,290.30
12/30/2009	18,000.00	3.240%	9,483.20	27,483.20	250.00	27,733.20
12/30/2010	19,000.00	3.450%	8,863.85	27,863.85	250.00	28,113.85
12/30/2011	20,000.00	3.650%	8,171.10	28,171.10	250.00	28,421.10
12/30/2012	20,000.00	3.810%	7,425.10	27,425.10	250.00	27,675.10
12/30/2013	21,000.00	3.960%	6,628.30	27,628.30	250.00	27,878.30
12/30/2014	22,000.00	4.000%	5,772.50	27,772.50	250.00	28,022.50
12/30/2015	23,000.00	4.100%	4,861.00	27,861.00	250.00	28,111.00
12/30/2016	24,000.00	4.200%	3,885.50	27,885.50	250.00	28,135.50
12/30/2017	25,000.00	4.250%	2,850.25	27,850.25	250.00	28,100.25
12/30/2018	26,000.00	4.350%	1,753.50	27,753.50	250.00	28,003.50
12/30/2019	27,000.00	4.400%	594.00	27,594.00	250.00	27,844.00
Total	\$314,000.00	-	\$102,090.16	\$416,090.16	\$3,750.00	\$419,840.16

Operations and Maintenance Expense Projections
Water Treatment Plant Improvements
Western Fleming County Water District

Item	FY 2003 Amount	Projected FY 2006
Salaries & Wages	\$ 127,465	\$ 140,212
Salaries & Wages - Board of Directors	\$ 12,000	\$ 12,000
Employee Pensions & Benefits	\$ -	\$ -
Purchased Water	\$ -	\$ -
Purchased Power	\$ 53,328	\$ 58,661
Fuel for Power Production	\$ -	\$ -
Chemicals	\$ 75,293	\$ 82,822
Materials & Supplies	\$ 49,617	\$ 54,579
Contractual Services - Accounting	\$ 15,096	\$ 16,606
Contractual Services - Water Testing	\$ 9,872	\$ 10,859
Contractual Services - Other	\$ 5,643	\$ 6,207
Insurance - General Liability	\$ 12,161	\$ 13,377
Insurance - Workers Comp	\$ 4,030	\$ 4,433
Insurance - Other	\$ 18,031	\$ 19,834
Bad Debt Expense	\$ -	\$ -
Miscellaneous Expenses	\$ 6,976	\$ 6,976
Total	\$ 389,512	\$ 426,566
% Increase		9.5%

WESTERN FLEMING COUNTY WATER DISTRICT
BALANCE SHEETS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

ASSETS	<u>2003</u>	<u>2002</u>
<u>CURRENT ASSETS</u>		
Cash (Note 2)	\$ 1,055,919	\$ 973,066
Accounts Receivable (net of allowance for doubtful accounts of \$2,377 and \$2,870 at December 31, 2003 and 2002.)	32,946	33,910
Prepaid Insurance	9,426	8,114
<u>Total Current Assets</u>	<u>1,098,291</u>	<u>1,015,090</u>
<u>RESTRICTED ASSETS</u>		
Cash (Note 3)	<u>244,744</u>	<u>216,008</u>
<u>Total Restricted Assets</u>	<u>244,744</u>	<u>216,008</u>
<u>PROPERTY AND EQUIPMENT</u>		
Land	20,074	15,499
Transmission and Distribution Plant	5,837,991	5,268,734
Building, Office Furniture and Equipment	67,713	63,963
<u>Total Property, Plant and Equipment</u>	5,925,778	5,348,196
Less: Accumulated depreciation	<u>(2,224,950)</u>	<u>(2,109,100)</u>
<u>Net Property, Plant and Equipment</u>	<u>3,700,828</u>	<u>3,239,096</u>
 TOTAL ASSETS	 <u><u>\$ 5,043,863</u></u>	 <u><u>\$ 4,470,194</u></u>

See accompanying notes to the financial statements.

WESTERN FLEMING COUNTY WATER DISTRICT
BALANCE SHEETS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

LIABILITIES, CONTRIBUTED CAPITAL AND RETAINED EARNINGS

	<u>2003</u>	<u>2002</u>
<u>CURRENT LIABILITIES</u>		
Accounts Payable	\$ 17,839	\$ 14,392
Accrued Taxes	3,783	4,052
Accrued Interest Payable	26,511	26,110
Current Portion of Long-term Debt	<u>28,500</u>	<u>25,000</u>
<u>Total Current Liabilities</u>	<u>76,633</u>	<u>69,554</u>
 <u>LONG-TERM DEBT</u>		
Bonds Payable (Note 5)	<u>1,882,669</u>	<u>1,438,794</u>
<u>Total Liabilities</u>	<u>1,959,302</u>	<u>1,508,348</u>
 <u>CONTRIBUTED CAPITAL AND RETAINED EARNINGS</u>		
Customer Tap-ons	354,825	347,015
Contributed Capital - Other	2,573,675	2,475,301
Retained Earnings	<u>156,061</u>	<u>139,530</u>
Total Contributed Capital and Fund Balance	<u>3,084,561</u>	<u>2,961,846</u>
	<u>\$ 5,043,863</u>	<u>\$ 4,470,194</u>

See accompanying notes to the financial statements.

WESTERN FLEMING COUNTY WATER DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN
RETAINED EARNINGS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

	<u>2003</u>	<u>2002</u>
OPERATING INCOME		
Water Operating Revenues	\$ 606,409	\$ 565,825
OPERATING EXPENSES		
Chemicals	74,908	54,963
Contract Service - Accounting	2,350	2,500
Contract Service - Other	28,348	23,841
Depreciation	115,850	113,211
Insurance	35,668	26,503
Materials and Supplies	47,440	10,554
Office Supplies	8,900	10,980
Telephone & Utilities	4,021	4,037
Miscellaneous	353	5,197
Payroll Taxes	10,927	9,765
Purchased Power	52,766	50,803
Salaries - Commissioners	12,000	12,200
Salaries - Employees	128,538	125,424
	<u>522,069</u>	<u>449,978</u>
OPERATING EXPENSES		
NET OPERATING INCOME (LOSS)	84,340	115,847
NONOPERATING INCOME (EXPENSES)		
Interest Income	25,768	38,461
Interest Expense	(93,577)	(73,197)
	<u>16,531</u>	<u>81,111</u>
NET INCOME (LOSS)		
RETAINED EARNINGS - BEGINNING OF YEAR	<u>139,530</u>	<u>58,419</u>
RETAINED EARNINGS - END OF YEAR	<u>\$ 156,061</u>	<u>\$ 139,530</u>

See accompanying notes to the financial statements.

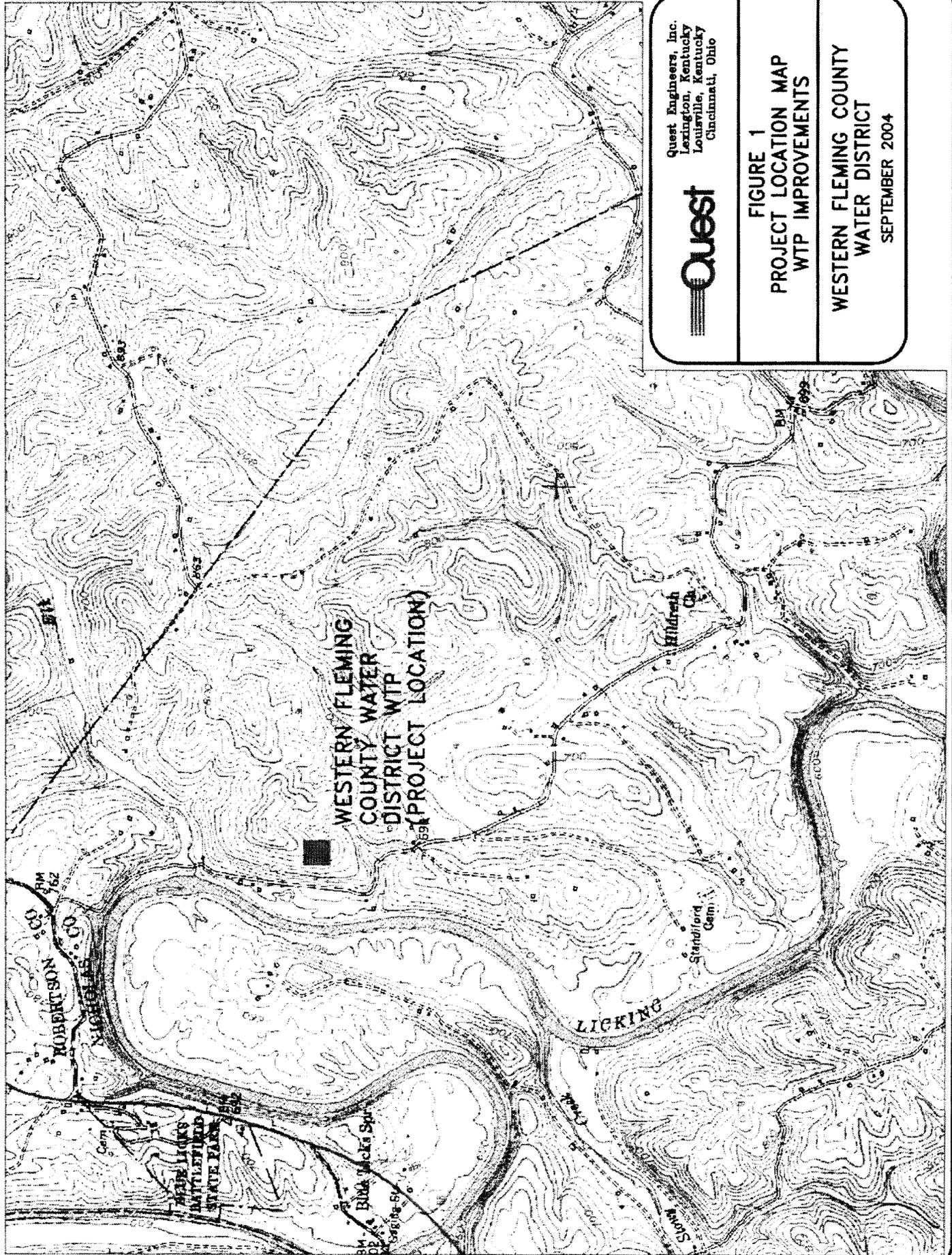
WESTERN FLEMING COUNTY WATER DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

CASH FLOW FROM OPERATING ACTIVITIES	<u>2003</u>	<u>2002</u>
Net Income/(Loss)	\$ 84,340	\$ 115,847
Adjustments to reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	115,850	113,211
Decrease (Increase) in Current Assets		
Accounts Receivable	964	4,570
Other Receivables & Prepaid Insurance	(1,312)	(1,501)
Increase (Decrease) in Current Liabilities		
Accounts Payable	3,447	3,875
Accrued Expenses	132	3,334
CASH PROVIDED BY OPERATIONS	<u>203,421</u>	<u>239,336</u>
 CASH FLOW FROM INVESTING ACTIVITIES		
Interest Income	25,768	38,461
CASH PROVIDED BY INVESTING	<u>25,768</u>	<u>38,461</u>
 CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Cash (Used) or provided by:		
Investment in Utility Plant	(569,257)	(399,499)
(Debt Reduction)/Proceeds	447,375	(53,000)
Investment in Office Equipment	(3,750)	(662)
Interest Expense on Debt	(93,577)	(73,197)
Decrease/(Increase) in Restricted Cash	(28,736)	15,431
Increase in Contributed Capital	98,374	191,613
Customer Contributions	7,810	17,585
Investment in Land	(4,575)	
CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(146,336)</u>	<u>(301,729)</u>
 PRIOR PERIOD ADJUSTMENT TO RETAINED EARNINGS		
 NET INCREASE (DECREASE) IN CASH	<u>82,853</u>	<u>(23,932)</u>
 CASH AT BEGINNING OF PERIOD	973,066	996,998
 CASH AT END OF PERIOD	<u>\$ 1,055,919</u>	<u>\$ 973,066</u>

Supplemental Disclosures:

Interest paid was \$ 93,577 and \$ 73,197 in 2003 and 2002 respectively.

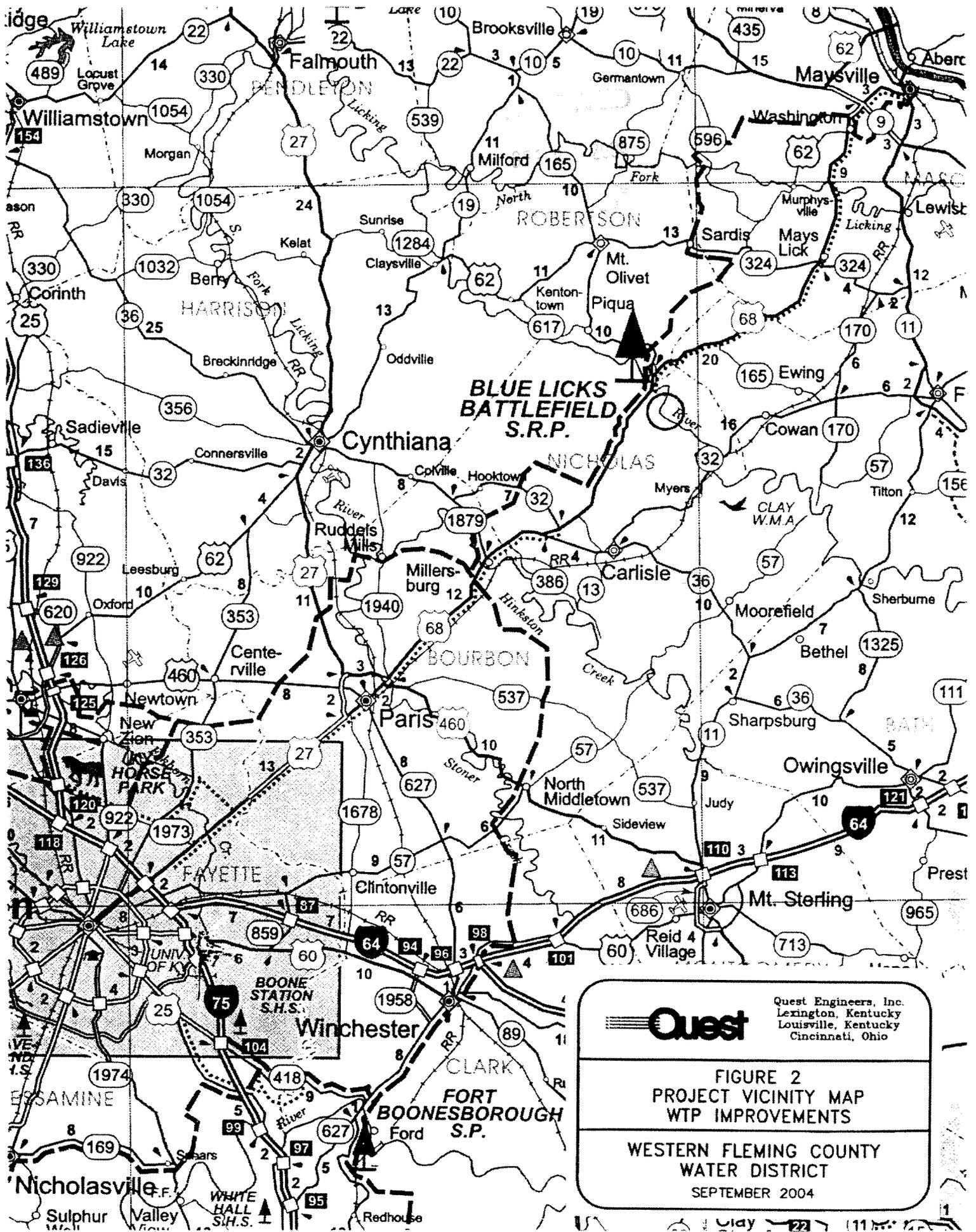
See accompanying notes to the financial statements.



Quest Engineers, Inc.
 Lexington, Kentucky
 Louisville, Kentucky
 Cincinnati, Ohio



FIGURE 1
PROJECT LOCATION MAP
WTP IMPROVEMENTS
WESTERN FLEMING COUNTY
WATER DISTRICT
 SEPTEMBER 2004



Quest Engineers, Inc.
 Lexington, Kentucky
 Louisville, Kentucky
 Cincinnati, Ohio

FIGURE 2
 PROJECT VICINITY MAP
 WTP IMPROVEMENTS

WESTERN FLEMING COUNTY
 WATER DISTRICT
 SEPTEMBER 2004